

209 CMR: DIVISION OF BANKS AND LOAN AGENCIES

209 CMR 52.00: CREDIT INSURANCE DISCLOSURE REQUIREMENTS

Section

52.01: General

52.02: Required Disclosures

52.03: Readability of the Required Disclosures

52.04: Exempt Transactions

52.01: General

- (1) Authority. 209 CMR 52.00 is promulgated under the authority granted by M.G.L. c. 140D.
- (2) Purpose. The purpose of 209 CMR 52.00 is to require disclosure to consumers of the coverage, costs and other aspects of credit insurance related to a credit transaction so that a consumer may make a more informed decision.
- (3) Severability Clause. The provisions of 209 CMR 52.00 are severable.

52.02: Required Disclosures

- (1) Written Disclosures. Before the purchase of credit life or credit accident and health insurance related to a transaction in which credit will be offered or extended to a consumer primarily for personal, family or household purposes, the following shall be disclosed to the consumer(s) in writing:
 - (a) If other insurance exists that covers the risk or that may cover the risk, one may not want or need credit insurance.
 - (b) A brief description of the coverage, including:
 1. The amount;
 2. The term;
 3. Any exceptions, limitations and exclusions;
 4. The insured event(s);
 5. Any waiting or elimination period;
 6. Any deductible;
 7. Any applicable waiver of premium provision;
 8. To whom the benefits would be paid;
 9. The premium rate or, if applicable, the actual premium charge for each coverage or for all coverages in a package.
 - (c) The financing rate, if any.
 - (d) If more than one kind of credit insurance is being made available, the ability of the consumer(s) to purchase each kind of credit insurance separately or only as a package.
 - (e) The conditions of eligibility.
 - (f) The conditions for cancellation and the method of refund of unearned premiums.
- (2) Procedures for Written Disclosures. The above disclosures shall be provided to the consumer(s) in the following manner:
 - (a) For credit life or credit accident and health insurance offered with the extension of credit or offered through a direct mail advertisement, disclosure shall be made in writing prior to the close of the credit insurance transaction and presented clearly and conspicuously.
 - (b) For the offer of credit life or credit accident and health insurance subsequent to the extension of credit by other than direct mail advertisements, disclosure may be provided orally if written disclosures are provided no later than the earlier of:
 1. Ten calendar days after the offer, or;
 2. The date any other written material is provided to the consumer(s).
- (3) Copy of the Credit Insurance Application. Unless the individual policy or group certificate of insurance is delivered at the time the debt is incurred, or at such other time that one elects to purchase coverage, the following shall be delivered to the consumer(s) prior to the close of the credit insurance transaction:
 - (a) A copy of the application for the policy or a notice of proposed insurance which:
 1. Is signed by the consumer(s).

209 CMR: DIVISION OF BANKS AND LOAN AGENCIES

52.02: continued

2. Sets forth the name and address of the insurer.
3. Sets forth the name or names of the consumer(s).

Said copy of the application or notice of proposed insurance shall refer solely to insurance coverage. Said application shall be separate and apart from the loan, sale, or other statement of account, instrument or agreement, unless the information required by 209 CMR 52.02(3)(a) is prominently set forth therein.

- (b) The premium rate or amount of payment for the insurance.
- (c) The amount, term and a brief description of the coverage provided.

52.03: Readability of the Required Disclosures

- (1) Readability of the Required Disclosures. No written disclosure shall be presented unless:
 - (a) The text achieves a minimum Flesch scale readability score of at least 50.
 - (b) It is printed, except for the tables, in not less than a ten-point type, one point leaded.
 - (c) The style, arrangement and overall appearance gives no undue prominence to any portion of the text of the written disclosures.
 - (d) The organization of the content of the written disclosure form is conducive to the clarity of the form as well as enhances the clarity of the form.
- (2) The Flesch Scale Readability Score. For the purposes of 209 CMR 52.00, a Flesch scale readability score shall be measured as provided in M.G.L. c. 175, § 2B.
 - (a) For written disclosure forms containing 10,000 words or less of text, the entire form shall be analyzed. For written disclosure forms containing more than 10,000 words, the readability of two separate 200 word samples per page may be analyzed in lieu of the entire form. The samples shall be separated by at least 20 printed lines.
 - (b) The number of words and sentences in the text shall be counted. The total number of words shall be divided by the total number of sentences. The figure obtained shall be multiplied by a factor of 1.015.
 - (c) The total number of syllables shall be counted and then divided by the total number of words. The figure obtained shall be multiplied by a factor of 84.6.
 - (d) The sum of the figures computed under 209 CMR 52.03(2)(a) and (b) subtracted from 206.835 equals the Flesch scale readability score to be used for the policy form.

52.04: Exempt Transactions

Credit insurance related to a transaction in which credit will be offered or extended to a consumer primarily for personal, family or household purposes which is not governed by M.G.L. c. 140D shall be governed by the provisions of 211 CMR 143.00.

REGULATORY AUTHORITY

209 CMR 52.00: St. 1998, c. 169.